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William P. Boswell
Chairman, Board of Directors
North American Energy Standards Board
Dominion Resources Tower, 23rd Floor
625 Liberty Avenue
Pittsburgh, PA 15222

Re: Parliamentary Committee: Frequency of Releasing New Versions of NAESB
Standards For The Wholesale Gas Quadrant

Dear Mr. Boswell:

Congratulations on your successful and continuing leadership efforts to establish the North American Energy Standards Board (“NAESB”). The energy industry is indeed fortunate to have your steady, firm hand on the tiller as you and the other industry participants navigate these sometimes murky, uncharted waters! It is with a great deal of satisfaction and pride that I recall our joint efforts back in the early 1990’s, together with those of Rae McQuade and the other pioneer founders, as we struggled and ultimately succeeded in the formation of the Gas Industry Standards Board (“GISB”), which has now morphed into the Wholesale Gas Quadrant (“WGQ”) of NAESB.

I am writing you this letter on behalf of Shell Gas Transmission, LLC (“SGT”), an owner and/or operator of five FERC jurisdictional offshore pipelines¹. SGT was a member of GISB in the pipeline segment, and is now a pipeline segment member of the WGQ. SGT supports the goals of NAESB in its efforts to improve and streamline the basic business information practices and related electronic communications between trading partners, and believes that much progress has occurred in that regard as a result of the leadership of the GISB/NAESB officers and members.

The Executive Committee of NAESB (“EC”) at its June 13, 2002 meeting took action regarding the Report from its Publication Process Review Task Force (“PPRTF”). The EC voted unanimously to accept the PPRTF Report and indicated that it “will submit it to the Board at its June 28th meeting for whatever action it deems appropriate.
Interested industry participants are invited to submit comments on the Report”

¹ Stingray Pipeline Company, L.L.C., Garden Banks Gas Pipeline, LLC, Nautilus Pipeline Company, L.L.C., Mississippi Canyon Gas Pipeline, LLC and Destin Pipeline Company, L.L.C.

(emphasis added). It is in response to that invitation that SGT is forwarding its comments on the PPRTF Report to you prior to the Board of Directors meeting on June 28th.

First, SGT would like to thank the members of the PPRTF, under the leadership of Mike Novak, Vice Chairman of the EC (WGQ), for the excellent job they did in reviewing the entire process of preparing and actually publishing NAESB standards. As you know from your experience with GISB standards, this publication effort is a daunting task. In the early years of GISB these new “versions” of standards were actually published and released, both to the industry and to FERC, on a semiannual basis. In more recent years the timing has been on a 12-month cycle. It is to this timing and frequency issue that SGT would like to direct your attention as an area of concern and need for remediation.

SGT hereby requests that the Board, acting through its Parliamentary Committee, adopt as a matter of policy, the following position with respect to the frequency of release and publication of new versions of NAESB standards for the Wholesale Gas Quadrant:

“New versions of standards and related data sets for the Wholesale Gas Quadrant should be released no more frequently than once every 24 months”.

SGT believes that there are several primary reasons why the Board should establish this Operating Practice for the WGQ at this time:

- 1) the WGQ is “mature” with respect to frequency of releasing new versions;
- 2) the NAESB staff requirements needed to address the other 3 quadrants;
- 3) the costs to the industry in the form of staff and capital resources needed to implement new versions;
- 4) the WGQ has arrived at the point of “diminishing returns”.

The WGQ is mature. It is fair to say that the WGQ has indeed “matured” with respect to the standards published since GISB’s inception in 1994. The industry has adopted and implemented Version Nos. 1.0, 1.1, 1.2, 1.3, 1.4, and Version 1.5 which was released last year and will be implemented this fall. The release of Version 1.6 of NAESB standards is anticipated later this summer. As you know, once the new Version has been published and released, it is included in a NAESB report to the FERC. Historically, FERC has then issued a NOPR, received industry comments, then released new regulations adopting and requiring the implementation of the new and/or modified standards by its pipelines subject to its jurisdiction. It is a credit to the quality of work of the GISB/NAESB organization, and its related governance structures, that the FERC has adopted these new standards virtually unchanged.

Certainly in the early days a case could be made for the annual publication of updated standards, due to the sheer number of new standards being requested by the industry and subsequently adopted by GISB/NAESB. That is not the case today; the pending request log will be virtually exhausted once the new Version 1.6 is released this summer. The WGQ has matured and no longer needs the annual release of updated and modified standards.

NAESB staffing requirements. As the Publication Process Review Task Force so eloquently noted in its Report: “As a **continuous improvement organization**, it is logical that, from time to time, procedures should be reviewed and changed, if warranted.” The PPRTF then went on to note in their Report that “it is critical that [NAESB] office staffing be sufficient to conduct the work at hand. Staffing, as well as the realignment of office responsibilities, are the purview of the Board and Executive Director, respectively. Without changes to the existing processes and increased staffing, with the incorporation of three additional quadrants, future publication efforts will grow more daunting, if not impossible.” (Emphasis added). Establishing a 24-month publication cycle for the WGQ will relieve some of this pressure on the NAESB staffing requirements.

Industry Costs in the form of staff and capital resources. As you would expect, each NAESB standard release that is approved by the FERC requires an extraordinary amount of staff and capital resource by all industry participants to implement. As an example of such costs, the specific SGT efforts around each release are:

1. the evaluation and rationalization of such new standard to determine required actions relating to IT resources and business processes,
2. working with the gas management system vendor and other users to ensure that system revisions perform new standard functionality within mandated implementation timing and that new versions do not introduce “bugs” that deteriorate existing functionality,
3. working with the internal IT group to ensure required platform or internally developed reports and website functionality remain compatible with externally controlled gas management system,
4. providing for several FERC filings (comments prior to standards release and compliance filings, at a minimum). This requires considerable internal efforts as well as the expenses related to outside counsel advice and guidance.

To place some perspective on the resulting incremental costs, SGT estimates that the cost of implementing these changes represents 10% to 30% of its total IT expenditures per year dependent upon whether the supporting vendor can complete all the changes required at once or the changes must be completed and implemented in phases. Also, the required FERC filings drive approximately 30% of SGT’s external regulatory legal counsel annual costs. Further, it is reasonably estimated that approximately 1 to 1.5 of SGT’s total staffing is dedicated to managing the resulting evaluation/implementation activities from such standards.

It is interesting (although frustrating to SGT) to note, that much of the NAESB standards issued over the past several years have not been utilized by any shippers on the five FERC jurisdictional pipelines that have been or are administered by SGT. This fact, however, has not minimized SGT’s diligence in evaluating its business process/IT functionality and employing the means to ensure compliance with these standards.

WGQ and “Diminishing Returns”. The maintenance and upkeep of standards is an ongoing effort. This work by the various work groups within the WGQ will continue unabated regardless of how often a new version of NASEB standards for the WGQ is released. Now that the primary standards needed to improve the functionality around the basic transportation services provided throughout the industry have been written and adopted and implemented, there no longer is a need to revise the whole body of WGQ standards by releasing a new version of such standards every 12 months. SGT would respectfully suggest that a more efficient time frame would be no more often than every 24 months.

SGT would also like to reemphasize that this suggestion for a minimum 24-month interval between publication and release of new versions of NAESB standards is intended to only apply to the Wholesale Gas Quadrant. The Parliamentary Committee will work out the details of how this publication cycle for the WGQ would mesh with the requirements for the other three quadrants in developing the requisite operating practices. SGT understands that the formation of the Parliamentary Committee is on the agenda for the Board of Directors meeting on June 28th.

And finally, SGT would support the adoption of the existing GISB Operating Practices (“GISBOPS”) as preliminary NAESB Operating Practices, with conforming changes from “GISB” to NAESB”, until the Parliamentary Committee has had an opportunity to review the practices.

Thank you for your consideration of Shell Gas Transmission, LLC’s concerns regarding the frequency of releasing new versions of NAESB standards for the WGQ.

Shell Gas Transmission, LLC looks forward to working with you and the other Board members on this issue, and I am personally looking forward to seeing and visiting you later this week in Seattle.

With best regards,

Michael D. Bray
Consultant, Shell Gas Transmission, LLC

cc: Roger D. Case, Shell Gas Transmission, LLC
Jimmy Culp, Shell Gas Transmission, LLC
Chuck Cook, Shell Gas Transmission, LLC

Rae McQuade, Executive Director of NAESB

